

Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 SS-15 SP-02

CIAE-00 INR-07 NSAE-00 EB-07 L-03 COME-00 OMB-01

TRSE-00 NSC-05 /053 R

DRAFTED BY EUR/EE:DNMILLER/RN

APPROVED BY EUR/EE:CPROWN

EB/OMA:BCROWE

L/EB:GROSEN

L/C:FKWIATEK

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FM SECSTATE WASHDC

TO AMEMBASSY BUDAPEST IMMEDIATE

C O N F I D E N T I A L STATE 056822

E.O. 11652: GDS

TAGS: EFIN, HU

SUBJECT: ANNUAL HUNGARIAN PAYMENT UNDER CLAIMS AGREEMENT;
- - - - WORLD WAR I DEBT; AND THE JOHNSON ACT

REF:A) STATE 51718 B) BUDAPEST 684 C) STATE 11670

D) BUDAPEST 723

1. SUMMARY. EMBASSY MAY BE INTERESTED, STRICTLY FYI, THAT DEPARTMENT IS EXPLORING THE RELATIONSHIP BETWEEN GOH PAYMENT OF THE 1976 ANNUAL CLAIMS INSTALLMENT AND "DEFAULT" AS DEFINED IN THE JOHNSON ACT. THIS RELATIONSHIP WOULD HAVE POSSIBLE SIGNIFICANCE ONLY IN THE EVENT THE GOH DOES NOT MAKE THE 1976 CLAIMS PAYMENT BUT DOES WISH TO PAY IN FULL THE WORLD WAR I DEPT. AS EMBASSY AWARE HUNGARIANS COULD CONCEIVABLY NOT PAY THE CLAIMS INSTALLMENT, CITING ANNEX F OF THE CLAIMS AGREEMENT CONTAINING DEPUTY PRIME MINISTER VALYI'S STATEMENT THAT "THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S REPUBLIC RESERVE THE RIGHT
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TO CONSULT WITH A VIEW TOWARD CONSIDERING THECONTINUATION

OF PAYMENTS" IF MFN IS NOT AVAILABLE "ON MUTUALLY AGREEABLE
TERMS WITHIN A REASONABLE AMOUNT OF TIME." END SUMMARY.

2. WE STUDIED THE MEANING OF "DEFAULT," AS USED IN THE
JOHNSON ACT, WHEN PREPARING THE USG POSITION ON GOH PAY.
MENT OF THE POST-WORLD WAR I DEBT. AT THAT TIME WE CON-

CLUDED THAT FULL PAYMENT OF WWI ARREARAGES IS REQUIRED
TO ESCAPE DEFAULT STATUS. THE CONCEIVABLE GOH CITATION
OF ANNEX F, AND POSSIBLE CONSEQUENT NONPAYMENT OF THIS
YEAR'S CLAIMS INSTALLMENT FOLLOWING "CONSULTATIONS,"
AGAIN RAISES THE QUESTION OF POSSIBLE DEFAULT. WE ARE
EXAMINING THIS QUESTION. (IN THIS CONNECTION, WE CON-
SIDER CLAIMS AGREEMENT AN OBLIGATION TO USG; INTER ALIA IT
PROVIDES FOR PAYMENT OF 125,000 DOLLARS IN SETTLEMENT OF A
CLAIM DIRECTLY OWNED BY U.S. GOVERNMENT - THE 1951 AERIAL
INCIDENT.)

3. IF AND WHEN THERE IS GOOD REASON TO BELIEVE THAT THE
HUNGARIANS WILL REFUSE TO MAKE THE ANNUAL PAYMENT AND IF
WE CONCLUDE THAT NON-PAYMENT OF THE ANNUAL INSTALLMENT
WOULD CONSTITUTE DEFAULT, IT MAY BE NECESSARY TO ALERT
THE HUNGARIANS THAT PAYMENT OF THE WORLD WAR I DEBT
WOULD NOT REMOVE THE JOHNSON ACT RESTRICTIONS. IN ANY
EVENT, IT WOULD CLEARLY BE UNWISE AT THIS TIME TO
MENTION OUTSIDE USG ANY POTENTIAL CONNECTTON BETWEEN THE
CLAIMS AGREEMENT AND THE JOHNSON ACT. IT GOES WITHOUT
SAYING THAT GOH PAYMENT OF CLAIMS AGREEMENT INSTALLMENTS
IS ITSELF AN IMPORTANT USG OBJECTIVE, RULING OUT PREMATURE
DISCUSSION OF NON-PAYMENT IMPLICATIONS.

4. BEGIN UNCLAS: 1 76 INSTALLMENT: EMBASSY CALCULATION
MENTIONED IN REF B IS CORRECT. AMOUNT GOH WILL COMPUTE
IS SIX PERCENT OF 34.7 MILLION DOLLARS OR 2,082,000 REPEAT
2,082,000 DOLLARS,AND NOT 2,092,000 AS TRANSMITTED. END
UNCLAS. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, DEBT REPAYMENTS, WAR DEBTS, JOHNSON ACT, WORLD WAR I, PROPERTY WAR CLAIMS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MartinML
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE056822
Document Source: CORE
Document Unique ID: 00
Drafter: DNMILLER/RN
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760089-0118
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760379/aaaacrwx.tel
Line Count: 97
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 STATE 51718, 76 BUDAPEST 684, 76 STATE 11670
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 29 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 APR 2004 by SmithRJ>; APPROVED <18 AUG 2004 by MartinML>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ANNUAL HUNGARIAN PAYMENT UNDER CLAIMS AGREEMENT; - - - - WORLD WAR I DEBT; AND THE JOHNSON ACT
TAGS: EFIN, HU, US
To: BUDAPEST
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006